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AN EXPLANATION OF THE 1964 WHEAT PROGRAM

The marketing quota referendum on the 1964 wheat crop offers wheat growers an opportunity to approve a program that will make progress toward solving wheat problems that have been troublesome almost constantly since World War I.

If approved by wheat growers in the referendum to be held on May 21, 1963, the program will have the following results:

1. Maintain farmers' wheat income at about the level of the past 2 years.
2. Permit an orderly reduction of the tremendous supply of wheat already on hand from previous crops. (We have 1.2 billion bushels on hand now. 600 to 700 million bushels is considered an adequate reserve.)
3. Provide for fair wheat prices to both producer and consumer.
4. Prevent acreage diverted out of wheat production from being used to overproduce other crops.
5. Reduce government costs for a wheat program.

Why Is Wheat in Trouble?

Under the wheat program that has been available since 1938, the smallest acreage that could be set as the national wheat allotment was 55 million acres.

During the 5-year period, 1934 through 1938, the average yield of wheat of the United States was 12.8 bushels an acre. Today, the national average yield is about 25 bushels per acre, double what it was back when the minimum acreage allotment was set by law. Therefore, a national allotment that could not be set any lower than 55 million acres had been producing more wheat than could be used in the United States and exported.

In addition, the old program permitted any farm to grow up to 15 acres of wheat even when marketing quotas were in effect. The acres taken out of wheat production could be used for the production of feed grains and other crops. The extra acres of feed grains added to the already heavy supplies of those grains.

The carryover of wheat from previous crops when the 1962 marketing year began was 1.3 billion bushels. That carryover is about equal to the best year of record for domestic use and exports—it is twice the size of carryover considered

adequate for national security and insurance against a short crop.

The United States now averages about 600 million bushels for our own use. We also export about 600 million bushels.

Most of the huge supply of wheat is owned by the Federal Government. The production from a national wheat allotment of 55 million acres and the 15-acre exemption has been larger than the market would take. The wheat not needed for domestic use or export was added to the government inventory.

The cost of the wheat program, counting export costs, in 1953 was \$194 million. By 1961 the program cost was up to \$1.5 billion—seven times the 1953 cost—60 percent of the wheat income for that year.

The Program In Brief

The program being voted on in the May 21 referendum provides for:

1. Farm allotments equal to about 90 percent of the 1963 allotment on the average—a national allotment of 49.5 million acres.
2. A national marketing quota of 1.2 billion bushels.
3. Payment for diversion from wheat to conservation uses as a result of complying with 1964 wheat allotment.
4. An opportunity for each wheatgrower to voluntarily reduce below his allotment and devote the acreage to conservation. This acreage would also be eligible for diversion payments.
5. A two-price arrangement whereby most of each participating grower's wheat would be eligible for price support at \$2 a bushel and the balance at \$1.30 a bushel on a national average basis.

Marketing Quota Proclamation

The Food and Agriculture Act of 1962 directs the Secretary of Agriculture to proclaim a national marketing quota for wheat whenever he finds that the total supply of wheat will be excessive at the beginning of the marketing year for the crop of wheat for which the quota is proclaimed.

On March 29, 1963, the Secretary proclaimed a national marketing quota of 1,220 million bushels and a national wheat acreage allotment of 49.5

million acres. The required referendum will be held on May 21, 1963.

If at least two-thirds of the wheat growers voting in the referendum approve marketing quotas, the program will be in effect.

Changes in the Marketing Quota and Allotment

The program to be voted on in the referendum removes the minimum 55-million-acre national allotment and replaces it with a minimum bushelage quota—called the national marketing quota—which cannot be smaller than 1 billion bushels. At least two-thirds of wheatgrowers voting in the referendum must approve marketing quotas before the program can be put in effect. The national marketing quota for 1964 has been set at 1,220 million bushels. With a national allotment of 49.5 million acres and allowances for small farm allotments, overplantings of allotments, estimated voluntary diversion of wheat acres and abandonment, it is expected that the harvested acreage would be about 41 million acres with an expected production of 1,060 million bushels. A crop of this size would permit 165 million bushels to be marketed from the Federal Government inventory.

The National Marketing Quota and Farm Allotments

With the national marketing quota converted to the national acreage allotment of 49.5 million acres, each wheat-producing State will be apportioned a State wheat allotment based on the average acreage of wheat in the State for the preceding 10 years, adjusted for trends and allowing credit for diversion. Similarly, each county in a State is then assigned a county wheat allotment based on the 10-year average wheat acreage in the county. Farm wheat allotments will be determined on the basis of the farm wheat history acreage (including acreage diverted from wheat) for the past 5 years, with some adjustment for change in farming practices, type of soil, and topography.

Before the referendum, wheatgrowers will receive from their ASC county committee an official notice of the wheat allotment acreage assigned to their farm. At the same time producers will receive a notice of the normal wheat yield for their farms.

Diversion Acreage—Payment at 30 Percent of Support

The law authorizes the Secretary of Agriculture to make diversion payments to wheat producers who stay within their farm allotments and add to the normal conserving acreage for the farm the acreage diverted from wheat. The diversion payments are to help maintain wheat income while the carryover of wheat is being reduced.

The number of acres on which the diversion payment will be made is the difference between

the 1964 wheat allotment and what the allotment would have been with a national allotment of 55 million acres. This is done in ASC county offices by multiplying the 1964 allotment for the farm by 11.11 percent. For example: If the farm allotment for 1964 is 54 acres, the wheat acres to be diverted to conservation use would be 11.11 percent times 54, or 6 acres. (Thus this farm is eligible for a diversion payment if 54 acres are seeded to wheat and the acres for conserving use are increased by 6.)

The payment per acre for this diversion is the farm normal yield multiplied by 30 percent of the county support price rate based on the \$2 national average. The diversion payment for the farm is the rate per acre times the number of acres diverted from wheat. Using the national average support rate, for example, the per-acre payment rate for a farm with a normal yield of 25 bushels would be determined as follows:

30 percent of \$2=\$0.60—

25 bu. \times \$0.60=\$15.00—farm diversion payment rate per acre—

and the payment for the farm would be 6 acres times \$15=\$90 diversion payment. In addition to the diversion payment, the producer on this farm would be eligible for the price-support loan and wheat certificates, if the diverted acreage is in addition to the normal conserving base for the farm.

Voluntary Diversion Below Allotment—Payment 50 Percent of Support

The program also offers a diversion payment for a voluntary diversion of part of the 1964 wheat allotment for conservation uses. The largest number of acres for which the voluntary diversion payment will be made is 20 percent of the 1964 allotment or an acreage which will bring the total farm diversion to 15. (There are special provisions for farms with allotments of less than 15 acres—see page 3.)

Using the above illustration of a farm with an allotment of 54 acres, the additional wheat acres that could be diverted will be 20 percent of 54 acres, or 10.8 acres. The payment per acre on the additional voluntary diversion is based on 50 percent of the county price-support rate. In the example case, the payment rate per acre for the farm would be: 50 percent of \$2 (\$1) multiplied by the normal yield of 25 bushels for the farm, or \$25. If the 10.8 acres figured above are diverted the payment for voluntary diversion would be $10.8 \times \$25 = \270 .

Summary of Diversion Payments

1. Diversion by staying within the 1964 allotment:	
6 acres at \$15 per acre.....	\$90
2. Voluntary diversion below allotted acres:	
10.8 acres at \$25.....	270
Total diversion payment.....	\$360

If the farm operator earns the total diversion payment in this case, he would seed 43.2 acres of wheat ($54 - 10.8 = 43.2$) and increase his acres devoted to conserving uses by 16.8 acres ($6 + 10.8$) and would be eligible for a price-support loan, a diversion payment, and certificates.

Advance Payments

Upon request, a producer may receive in advance 50 percent of the total payment being earned for diversion of wheat land to conservation uses.

Marketing Certificates

The program provides for the Secretary to issue marketing certificates to wheat producers for their share of the wheat needed for domestic food and for a part of the exports. For 1964, 975 million bushels of wheat will be eligible for marketing certificates. Certificates issued to participants who grow their entire allotment will be 80 percent of the normal production of the farm allotment; for participants who voluntarily reduce 20 percent below their allotment—100 percent of the normal production of the acreage planted to wheat.

Using for illustration the farm with a 54-acre allotment, the certificates would apply as follows: The normal yield per acre is 25 bushels. Therefore, the normal production for the 54-acre allotment would be 1,350 bushels. Certificates issued for that farm would be for 80 percent of 1,350 bushels, or 1,080 bushels.

If, on this farm, the operator voluntarily diverted all the wheat acres he could for diversion payment—16.8 acres—and planted only the remainder of the farm allotment to wheat he would receive certificates for the same number of bushels—1,080 bushels. With 20 percent of the allotment diverted, the certificates issued would be for a number of bushels equal to the normal production of all the wheat acreage seeded on the farm. If the yield is below normal or even if the crop is a complete failure, the producer will be able to take his unused certificates to the county ASC office and get 70 cents for each bushel they represent.

However, if the acres planted to wheat for 1964 are less than 80 percent of the farm allotment, certificates would be issued for the normal production of the acres actually planted. If a producer has marketing quota excess wheat from former crops stored under bond, he may plant less than 80 percent of his allotment and use some of the stored wheat for his certificates.

Handling of the Certificates

Each participating producer will receive from the ASC county office a marketing quota card indicating his wheat is free from marketing quota penalty and showing the number of bushels of certificated wheat for his farm.

The first buyer will record on the marketing card the number of bushels purchased by him and the number of bushels of certificated wheat remaining unsold. The first buyer would periodically report his purchases to the U.S. Department of Agriculture, and receive credit for the certificates.

Price Supports

Certificated wheat will be eligible for a loan at the county support rate based on a national average rate of \$2 a bushel and noncertificated wheat will be supported at the county support rate based on \$1.30 a bushel national average. Differentials will be established for location, class and grade.

Farms on which the voluntary diversion is 20 percent of the farm allotment would produce noncertificated wheat when the actual yield per acre was above the normal yield for the farm.

On farms on which there is no voluntary diversion and the producer plants all of his 1964 wheat allotment, with a normal yield per acre there would be wheat produced for which certificates would not be issued. In this situation the producer could place the noncertificated wheat under loan at the local noncertificated price-support rate (\$1.30 a bushel national average).

Any noncertificated wheat produced on a participating farm may also be sold on the market, sold to other producers, fed to livestock, stored, or used for seed.

Provisions for Small Farm Allotments

The wheat program for 1964 does away with the provision through which any farm could produce as much as 15 acres of wheat without being subject to marketing quota penalties. The new law also removed the authorization for the production of up to 30 acres of wheat without a marketing quota penalty provided all the wheat was used on the farm on which it was produced.

For small farms, the wheat allotment will be the larger of:

1. An allotment determined in the same way as for the farms with more than 15 acres of wheat, or
2. An allotment equal to 90 percent of the average wheat acreage for the farm for the 3 years 1959, 1960, and 1961. This average cannot be more than 15 acres.

The operator of a farm with an allotment of less than 15 acres may choose to participate in the program as an allotment grower. If he chooses to be an allotment grower and participate in the program, he must do so at least 7 days before the referendum—his deadline for the decision is May 13. The back of the notice of farm allotment (MQ-24) has a space for this purpose. If he signs up to become an allotment grower he is eligible: To vote in the referendum; to receive his share of the marketing certificates; to qualify for diversion payments; and to put wheat into the price-support loan. The small growers who

agree to become allotment growers have the option of diverting their entire acreage up to 15 acres to conserving uses all at the high diversion rate based on 50 percent of the county support price rate.

If the small farm operator does not choose to become an allotment grower, he can plant wheat up to the larger of his average wheat acreage for 1959, 1960, and 1961 or his 1964 allotment without being subject to a marketing quota penalty. Production in excess of that limit would be subject to marketing quota penalties. He will have no vote in the referendum. He can sell wheat at the noncertificated wheat market price, or as seed or feed, or use it in any way that he likes. He will not be eligible for price support, certificates, or diversion payments.

An example of a participating farm with a small wheat allotment:

1959—15 acres of wheat
1960— 9 “ “ “
1961—15 “ “ “

Average acres of wheat—13 acres. This is the small farm wheat base.

Allotment based on 3-year average acres—90 percent of the small farm base—11.7 acres. This will be the 1964 allotment for the farm unless the allotment calculated by the same method used for farms with more than 15 acres is larger, in which case the larger figure will become the farm allotment.

The normal yield per acre for the farm is 30 bushels.

The allotment of 11.7 acres is planted for 1964 and 1.3 acres are diverted and devoted to conservation use in addition to the normal conserving use for the farm.

This farm would then be eligible for:

1. \$2 price support (national average) on 80 percent of the normal production of the allotment of 11.7 acres—

$$80 \text{ percent of } 30 \text{ bu.} \times 11.7 \times \$2 = \$561.60$$

2. \$1.30 price support (national average) on 20 percent of normal production of the allotment, 11.7 acres—

$$20 \text{ percent of } 30 \text{ bu.} \times 11.7 \times \$1.30 = \$91.26$$

3. A diversion payment on the 1.3 acres of wheat diverted to conservation use.

The diversion payment would be:

$$30 \text{ bu.} \times 1.3 \text{ acres} \times (30 \text{ percent of } \$2) = \$23.40$$

The income from wheat on this farm would be:

Certificated wheat.....	\$561.60
Noncertificated wheat.....	91.26
Diversion payment.....	23.40
Total.....	\$676.26

On this farm the entire wheat acreage could be diverted for payment at the rate of 50 percent of the support price for certificated wheat. The diversion payment would be:

$$50 \text{ percent of } \$2 \times 30 \text{ bu.} = \$30 \text{ per acre}$$

$$13 \text{ acres diverted} - 13 \times \$30 = \$390$$

Under this circumstance there would be no certificates for this farm since all the wheat acres would be diverted to conservation use.

Operators of small farms who choose not to participate would be subject to marketing quota penalties on wheat produced in excess of their 3-year average acreage (the small farm wheat base) or their allotment whichever is larger.

If the operator of this farm did not choose to take part in the program, 13 acres of wheat could be produced without any of the wheat being subject to marketing quota penalty. The operator would not be eligible for a price-support loan on his wheat, he would receive no certificates, he could not vote in the referendum, and there would be no diversion payment. If the 13 acres of wheat produced a normal yield of 30 bushels to the acre there would be 390 bushels of wheat that could be sold at the market price at the time of sale.

Small farm operators who choose to participate in the program will be subject to marketing quota penalties for the wheat produced on an acreage above the farm allotment. (However, where practical the excess may be stored under bond to postpone or avoid such penalty.)

No Harvesting of Crops From Diverted Acres

The diversion payment will not be made automatically to those producers who divert acreage from wheat production. Each producer who wants the diversion payment will file with his ASC county office an intention to participate by a deadline date. The production and harvesting of a nonapproved crop from the minimum required diverted acreage on farms with allotments of more than 15 acres and on small farms where the operator has elected to be an allotment grower will make the acreage subject to a land use penalty. The land use penalty per acre will be figured on the basis of 65 percent of the parity price of wheat multiplied by the normal yield of wheat established for the farm. The maximum acreage on which this penalty could apply is 11.11 percent of the 1964 wheat allotment.

Grazing of Diverted Acreage

Grazing the acreage diverted from wheat production to conservation use will be permitted without change of payment up to a spring date and after an established date in the fall. State ASC committees will establish these dates for their States. In addition, the diverted acreage may also be grazed during the summer, but the diversion payment per acre will be reduced by one-half. Wheat growers who want to graze their diverted acreage should make application at the county ASC office. Such arrangement should be made at the time of signup.

Marketing Quota Penalties

When marketing quotas are in effect, the law provides for marketing penalties on wheat pro-

duced on acreage in excess of the farm allotment. The penalty rate per bushel is 65 percent of the national parity price for wheat—about \$1.65 a bushel. The penalty applies on a bushelage equal to twice the normal yield per acre times the number of acres in excess of the farm allotment. However, if the proven actual yield is lower, the ASC county committee may reduce the number of bushels that are subject to the marketing quota penalty to the actual yield.

Producers who have excess wheat may avoid paying the marketing quota penalty by storing the excess wheat in accordance with regulations issued by the Secretary similar to past programs. This wheat may be taken out of storage in subsequent years by underplanting the farm allotment or when the yield per acre is less than normal.

If excess wheat is stored, the wheat grown on the allotment is eligible for price support and certificates if other provisions of the program, including conserving use on the diverted acres, are met and the normal acreage of conserving use is maintained. Farms with excess wheat acreage are not eligible for diversion payments and the excess wheat is not eligible for price support.

For an explanation of marketing quota penalties on small farms when the operator did not elect to be an allotment grower, see the section, Provisions for small farm allotments, p. 3.

Growing Wheat on Feed Grain Acreage

If there is a feed grain diversion program in effect in 1964, wheat production on permitted feed grain acreage will be authorized. Price support on such wheat would be at the support level for noncertificated wheat (\$1.30 a bushel national average).

Noncommercial Wheat Area

There will be no noncommercial wheat area in 1964.

No Increases in Allotments for a Class of Wheat in Short Supply

The Food and Agriculture Act of 1962 authorizes the Secretary of Agriculture to increase the farm allotments for any class of wheat in short supply or likely to be in short supply. None of the classes of wheat are in that position; therefore, the authorization will not be used in 1964.

Voting Eligibility

Producers who have an interest in a 1964 farm wheat acreage allotment are eligible to vote in the 1964 wheat marketing quota referendum. However, if the allotment is less than 15 acres, the operator must elect by May 13 to participate as an allotment grower in 1964 if he and other producers on the farm wish to vote in the referendum. This

election is made by signing in the space provided on the back of the regular allotment notice, MQ-24, for the farm or on another copy of the form provided by the county ASC office.

A person can cast only one ballot in the referendum regardless of the number of wheat farms in which he is interested except:

1. Individual members of a partnership shall each have a vote, the partnership as such shall not have a vote. (An individual member of a qualified partnership who also has an individual interest in another farm is not entitled to more than one vote.)
2. A person may also vote as the representative of an organization, such as a corporation. (Such an organization is entitled to only one vote.)
3. A person may also vote as the administrator or executor of an estate, or as a trustee or guardian, but the persons whom he represents are not eligible.

Producers who have an interest in an allotment include:

1. **Landowners who receive all or a share of the wheat crop or proceeds thereof.** Landowners who rent their land to a tenant for cash are not eligible. In the event land is owned jointly by two or more persons, the following will apply:
 - (a) In the States of Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington, which have community property statutes, owners of community property (both husband and wife) are eligible to vote if the allotment is on community property.
 - (b) In all States, joint owners (both names on the deed) are eligible to vote if the allotment is on the jointly owned property.
2. **Tenants or sharecroppers having an interest in the farm acreage allotment because of sharing in the wheat crop or proceeds thereof.** Producers who lease land as joint tenants (both names on the lease) are each eligible to vote.

Examples:

- (a) Husband and wife both sign written lease to operate farm—both are eligible to vote.
- (b) Only the husband signs written lease to operate farm—only the husband will be eligible to vote.
- (c) Husband and wife lease the farm on a verbal lease with the owner, and the referendum committee determines that both are responsible for carrying out the tenant obligations under the lease—both can vote.

Polling Places

Each ASC county committee will designate and announce polling places for the referendum.

If Marketing Quotas Are Disapproved

If more than one-third of those who vote in the referendum on May 21 disapprove marketing quotas, they will not apply to the 1964 crop of wheat.

Price support would drop to 50 percent of parity—about \$1.25 per bushel national average. The national average would be adjusted for class, grade, and location. Only those growers who stay within their allotments would be eligible for the 50-percent-of-parity price supports. The farm wheat allotments would be the same as though marketing quotas were in effect.

In addition, there would be no diversion payments, and no wheat certificates issued.

Those producers who did not stay within their

allotments would not be subject to marketing quota penalties, and they could sell their wheat for whatever the market would pay.

Quality, Grade and Location

As in the past, the price-support rates for wheat produced in 1964 will take into consideration the class of wheat, the location of the wheat, the grade, and such factors as protein and sedimentation value. The class, grade and location factors are based on the long-time differentials for such factors between the terminal markets. The price-support rates will take into consideration premium grades, discounts for lower grades, and moisture content.

(This explanation is provided to help in the general understanding of the 1964 wheat program. It does not replace official instructions and regulations applicable to individual farm situations.)

